



# **Legislative Audit Division**

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State of Montana

Report to the Legislature

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November 2002

## **Financial-Compliance Audit For the Two Fiscal Years Ended June 30, 2002**

### **Department of Public Service Regulation**

**This report contains two recommendations regarding fees commensurate with costs and compliance with state accounting law.**

**Direct comments/inquiries to:  
Legislative Audit Division  
Room 160, State Capitol  
PO Box 201705  
Helena MT 59620-1705**

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## **FINANCIAL-COMPLIANCE AUDITS**

Financial-compliance audits are conducted by the Legislative Audit Division to determine if an agency's financial operations are properly conducted, the financial reports are presented fairly, and the agency has complied with applicable laws and regulations. In performing the audit work, the audit staff uses standards set forth by the American Institute of Certified Public Accountants and the United States General Accounting Office. Financial-compliance audit staff members hold degrees with an emphasis in accounting. Most staff members hold Certified Public Accountant (CPA) certificates.

Government Auditing Standards, the Single Audit Act Amendments of 1996 and OMB Circular A-133 require the auditor to issue certain financial, internal control, and compliance reports. This individual agency audit report is not intended to comply with these reporting requirements and is therefore not intended for distribution to federal grantor agencies. The Legislative Audit Division issues a statewide biennial Single Audit Report which complies with the above reporting requirements. The Single Audit Report for the two fiscal years ended June 30, 2003, will be issued by March 31, 2004. The Single Audit Report for the two fiscal years ended June 30, 2001, was issued on March 26, 2002. Copies of the Single Audit Report, when available, can be obtained by contacting:

Single Audit Coordinator  
Office of Budget and Program Planning  
State Capitol  
Helena MT 59620  
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Legislative Audit Division  
Room 160, State Capitol  
PO Box 201705  
Helena MT 59620-1705

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# LEGISLATIVE AUDIT DIVISION

Scott A. Seacat, Legislative Auditor  
John W. Northey, Legal Counsel



Deputy Legislative Auditors:  
Jim Pellegrini, Performance Audit  
Tori Hunthausen, IS Audit & Operations  
James Gillett, Financial-Compliance Audit

November 2002

The Legislative Audit Committee  
of the Montana State Legislature:

This is our financial-compliance audit report on the Department of Public Service Regulation for fiscal years 2000-01 and 2001-02. Included in this report are two recommendations addressing fees commensurate with costs and compliance with state accounting law.

The department's written response to the audit recommendations is included at the end of the audit report. We thank the commissioners and their staff for their assistance and cooperation throughout the audit.

Respectfully submitted,

*(Signature on File)*

Scott A. Seacat  
Legislative Auditor

# **Legislative Audit Division**

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**Financial-Compliance Audit**

**For the Two Fiscal Years Ended June 30, 2002**

## **Department of Public Service Regulation**

Members of the audit staff involved in this audit were Jeane Carstensen-Garrett, Chris G. Darragh, and Amber Long.

## Table of Contents

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Appointed and Administrative Officials .....	ii
Report Summary.....	S-1
<b>Introduction.....</b>	<b>1</b>
Introduction .....	1
Background.....	1
<b>Prior Audit Recommendations.....</b>	<b>5</b>
Prior Audit Recommendations .....	5
<b>Findings and Recommendations .....</b>	<b>7</b>
Fees Commensurate With Costs .....	7
Accounting Issues.....	7
Natural Gas Pipeline Safety Program .....	7
Expenditure Accruals .....	8
Summary .....	9
<b>Independent Auditor's Report &amp; Department Financial Schedules.....</b>	<b>A-1</b>
Independent Auditor's Report.....	A-3
Schedule of Changes in Fund Balances for the Fiscal Year Ended June 30, 2002.....	A-5
Schedule of Changes in Fund Balances for the Fiscal Year Ended June 30, 2001.....	A-6
Schedule of Total Revenues & Transfers-In For the Fiscal Year Ended June 30, 2002.....	A-7
Schedule of Total Revenues & Transfers-In For the Fiscal Year Ended June 30, 2001.....	A-8
Schedule of Total Expenditures & Transfers-Out For the Fiscal Year Ended June 30, 2002.....	A-9
Schedule of Total Expenditures & Transfers-Out For the Fiscal Year Ended June 30, 2001.....	A-10
Notes to Financial Schedules.....	A-11
<b>Department Response.....</b>	<b>B-1</b>
Department of Public Service Regulation .....	B-3

## **Appointed and Administrative Officials**

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### **Public Service Commission**

	<u>Term Expires</u>
Gary Feland, Chair	January 2003
Jay Stovall, Vice Chair	January 2005
Robert Rowe	January 2005
Matt Brainard	January 2005
Bob Anderson	January 2003

### **Administrative Officials**

Wayne Budt, Administrator  
Transportation and Centralized Services Division

Robin McHugh, Administrator, Legal Division

Steve Vick, Acting Administrator, Utility Division

Susan Good, Policy Advisor

For additional information concerning the Department of Public Service Regulation programs contact:

Wayne Budt, Administrator  
Transportation and Centralized Services Division  
Public Service Regulation  
PO Box 202601  
Helena MT 59620-2601  
Phone: (406) 444-6195

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### Public Service Regulation

This audit report is the result of our financial-compliance audit of the Department of Public Service Regulation for the two fiscal years ended June 30, 2002. The report contains two recommendations addressing fees commensurate with costs and compliance with state accounting policies and laws.

We issued an unqualified opinion on the financial schedules contained in the report. This means the reader may rely on the presented financial information as well as the supporting information on the state's accounting system.

The department concurred with the recommendation made in the prior audit report relating to fees commensurate with costs. The prior audit recommendation was partially implemented by the department and is addressed in this report on page 7.

The listing below serves as a means of summarizing the recommendations contained in this report, the department's response thereto, and a reference to the supporting comments.

#### Recommendation #1

We recommend the department charge a fee for transportation applications that is commensurate with costs as required by state law.....7

Department Response: Concur. See page B-3.

#### Recommendation #2

We recommend the department properly record transactions in compliance with state accounting laws and policies.....9

Department Response: Concur. See page B-3.

# Introduction

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## Introduction

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We performed a financial-compliance audit of the Department of Public Service Regulation (department) for the two fiscal years ended June 30, 2002. The objectives of the audit were to:

1. Determine whether the department complied with applicable laws and regulations.
2. Make recommendations, if necessary, for improvement in the department's control structure.
3. Determine whether the department's financial schedules present fairly the results of operations for the two fiscal years ended June 30, 2002.
4. Determine the implementation status of the prior audit recommendation.

This report contains two recommendations. During our current audit we noted areas of concern which we deemed not to have a significant effect on the operations of the department. These concerns are not specifically included in this report, but have been discussed with department management.

In accordance with section 5-13-307(2), MCA, we analyzed and disclosed the cost, if significant and practical to obtain, of implementing the recommendations made in this report.

## Background

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The Department of Public Service Regulation was created by the Executive Reorganization Act of 1971 and operates under the direction of the Public Service Commission. The commission consists of five voting members who are elected on a district basis and serve a term of four years. After each general election, one of the commissioners is elected by the commission to serve as chairman until the next general election. The chairman exercises authority on behalf of a majority of the commissioners. The department's responsibility is to assure the public receives safe, adequate, and economical utility and transportation service at just and reasonable rates. The department is responsible for the regulation of certain public utilities, motor carriers, railroads, and pipelines within the



## Introduction

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state. It also performs certain safety inspections of those activities, except for motor carriers, which are inspected by the Highway Patrol Division of the Department of Justice.

The department has 39 full time equivalent (FTE) positions that include five commissioners and the following three divisions:

1. The Utility Division exercises general control over public utilities, including rate determination and safety standards (19 FTE).
2. The Transportation and Centralized Services Division exercises general supervisory control over the activities of motor carriers and railroads, and provides administrative support to the department (10 FTE).
3. The Legal Division advises the commission on matters requiring a legal interpretation or opinion and represents the commission in legal proceedings (5 FTE).

The 1997 Legislature provided for a phase-in to customer choice of electricity and natural gas suppliers and restructuring of the electricity industry (Title 69, chapter 8, part 2, MCA) and natural gas industry (Title 69, chapter 3, part 14, MCA). Large electric utility customers had the opportunity to choose an electric supplier by July 1, 1998, and all remaining electric customers were to choose a supplier by July 1, 2002, if administratively feasible. In December 2000, the commission, pursuant to its authority, extended the date for choice to July 1, 2004, finding that there is no viable competition. The commission is authorized by section 69-8-210(2), MCA, to regulate the price of electricity supply provided by default supplier(s) or by the distribution service provider for customers not served by a competitive supplier. With the extension of the transition period, customers with loads of 100 kilowatts or more will now be eligible for regulated supply service from the default provider until July 1, 2004. The commission determined that extending the transition period could provide important customer protection after July 2002, given the status of electricity supply markets in Montana and uncertainty over how markets will develop once the regulated rates expire. The commission will continue to

regulate the electric retail transmission and distribution systems within Montana after it issues the final orders on a utility's transition plan.



# Prior Audit Recommendations

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## **Prior Audit Recommendations**

We performed the prior audit of the Department of Public Service Regulation for the two fiscal years ended June 30, 2000, which resulted in one recommendation. The department partially implemented the recommendation regarding fees commensurate with costs, which is discussed further on page 7.



# Findings and Recommendations

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## Fees Commensurate With Costs

Section 69-1-114, MCA, requires each fee charged by the department be commensurate with the costs incurred in administering the function for which the fee is charged. The department's fees include transportation application, photocopying, and legal notices. Transportation applications are filed by interested parties for the operating authority to move passengers, household goods, or solid waste from one point to another in the state.

The prior report included a recommendation to the department to document its basis for each fee charged to ensure the fees are commensurate with costs. We found the department has documented the basis for each fee charged; however, we found the transportation application fee is not commensurate with costs. The department collected \$1,000 in fiscal year 2001-02 and \$1,500 in fiscal year 2000-01 for this fee. The \$100 fee covers the costs of processing and licensing the applicant if the application is not protested. However, the fee does not cover the costs of mailing the monthly notices to current licensed operators or the cost of the hearings when applications are protested. The department receives roughly ten to twenty applications each year and approximately two-thirds are protested. Department officials indicated they have not raised the fee because they do not want it to be prohibitive.

### **Recommendation #1**

**We recommend the department charge a fee for transportation applications that is commensurate with costs as required by state law.**

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## Accounting Issues

Section 17-1-102(4), MCA, requires recording the receipt, use, and disposition of all public money and property on the state's accounting system, by fiscal year-end, in accordance with generally accepted accounting principles (GAAP). The following two report sections discuss accounting errors we found during our audit.

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## Natural Gas Pipeline Safety Program

The department received federal funding for the Natural Gas Pipeline Safety Program during fiscal year 2000-01 and fiscal year

## Findings and Recommendations

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2001-02. At the end of each quarter the department records the expenditures for the program in the federal and state special revenue funds according to the state and federal shares (50/50 in fiscal year 2000-01 and 60/40 in fiscal year 2001-02). Since the amount requested and recorded as receivables and revenue often does not equal the amount received, department personnel record transactions to adjust revenue and accounts receivable for the difference.

During our audit we found the following three errors that were related to the accounting for the Natural Gas Pipeline Safety Program.

- ▶ In fiscal year 2000-01 the adjusting entry was made but the receivable and the revenues were recorded at 100% in the federal special revenue fund rather than the correct 50% in the 3rd quarter, which resulted in the federal revenues being overstated by \$2,805.
- ▶ The department received final reimbursement for the last two quarters of fiscal year 2000-01 during fiscal year 2001-02. The amount received was less than the department anticipated. The department should have, but did not, record an adjusting entry to properly reduce the amount of recorded revenue to equal the amount received. As a result, federal revenues are also overstated in fiscal year 2001-02 by \$2,784.
- ▶ At the beginning of fiscal year 2001-02, funding was switched from a 50/50 split to a 60/40 split. Department personnel did not adjust the expenditures to reflect the change in funding. As a result, expenditures are misstated by offsetting amounts in the state and federal special revenue funds by \$1,352.

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### Expenditure Accruals

Department personnel informed us that during fiscal year 1999-00, three accruals in the state special revenue fund were improperly recorded on the Statewide Accounting, Budgeting and Human Resource System (SABHRS). Additional errors were made related to these accruals during fiscal years 2000-01 and 2001-02 when department personnel attempted to correct the original errors. During fiscal year 2001-02, the department recorded an entry to adjust expenditure accruals based on what the account balance should have been at the end of the year. However, the adjusting

## Findings and Recommendations

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entry was entered in reverse order, causing an increase in the misstatement and the account to remain out of balance. As a result of these errors, fiscal year 2000-01 expenditures are overstated by \$28,664 in the State Special Revenue Fund. In fiscal year 2001-02, expenditures are understated by \$21,916.

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### Summary

Department personnel indicated that the errors relating to the expenditure accruals and the Natural Gas Pipeline Safety Program occurred due to the new accounting system, time constraints, and human error. We recommend the department properly record transactions in compliance with state accounting laws and policies and in accordance with generally accepted accounting principles.

<b><u>Recommendation #2</u></b>
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<b>We recommend the department properly record transactions in compliance with state accounting laws and policies.</b>
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# **Independent Auditor's Report & Department Financial Schedules**

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# LEGISLATIVE AUDIT DIVISION

Scott A. Seacat, Legislative Auditor  
John W. Northey, Legal Counsel



Deputy Legislative Auditors:  
Jim Pellegrini, Performance Audit  
Tori Hunthausen, IS Audit & Operations  
James Gillett, Financial-Compliance Audit

## INDEPENDENT AUDITOR'S REPORT

The Legislative Audit Committee  
of the Montana State Legislature:

We have audited the accompanying Schedules of Changes in Fund Balances, Schedules of Total Revenues & Transfers-In, and the Schedules of Total Expenditures & Transfers-Out of the Department of Public Service Regulation for the fiscal years ended June 30, 2001, and 2002. The information contained in these financial schedules is the responsibility of the department's management. Our responsibility is to express an opinion on these financial schedules based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial schedules are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial schedules. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial schedule presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in note 1, the financial schedules are presented on a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. These schedules are not intended to be a complete presentation and disclosure of the department's assets and liabilities.

In our opinion, the financial schedules referred to above present fairly, in all material respects, the results of operations and changes in fund balances of the Department of Public Service Regulation for the fiscal years ended June 30, 2001, and 2002, in conformity with the basis of accounting described in note 1.

Respectfully submitted,

*(Signature on File)*

James Gillett, CPA  
Deputy Legislative Auditor

August 27, 2002

**Page A-3**



THE DEPARTMENT OF PUBLIC SERVICE REGULATION  
SCHEDULE OF CHANGES IN FUND BALANCES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

	<u>General Fund</u>	<u>Special Revenue Fund</u>
FUND BALANCE: July 1, 2001	\$ <u>(5,360)</u>	\$ <u>1,050,107</u>
ADDITIONS		
Budgeted Revenues & Transfers-In	5,525	29,458
NonBudgeted Revenues & Transfers-In	1,304	144
Prior Year Revenues & Transfers-In Adjustments	13	
Direct Entries to Fund Balance	<u>(2,576)</u>	<u>2,547,620</u>
Total Additions	<u>4,266</u>	<u>2,577,222</u>
REDUCTIONS		
Budgeted Expenditure & Transfers-Out		2,567,550
Prior Year Expenditure & Transfers-Out Adjustments		<u>(19,499)</u>
Total Reductions		<u>2,548,051</u>
FUND BALANCE: June 30, 2002	\$ <u><u>(1,094)</u></u>	\$ <u><u>1,079,278</u></u>

This schedule is prepared from the Statewide Accounting, Budgeting, and Human Resources System (SABHRS) without adjustment. Additional information is provided in the notes to the financial schedules beginning on page A-11.

THE DEPARTMENT OF PUBLIC SERVICE REGULATION  
SCHEDULE OF CHANGES IN FUND BALANCES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

	<u>General Fund</u>	<u>Special Revenue Fund</u>
FUND BALANCE: July 1, 2000	\$ <u>(1,662)</u>	\$ <u>708,191</u>
ADDITIONS		
Budgeted Revenues & Transfers-In	6,316	50,236
NonBudgeted Revenues & Transfers-In	1,446	661
Prior Year Revenues & Transfers-In Adjustments	573	1,197
Direct Entries to Fund Balance	<u>(12,033)</u>	<u>2,770,583</u>
Total Additions	<u>(3,698)</u>	<u>2,822,677</u>
REDUCTIONS		
Budgeted Expenditure & Transfers-Out		2,449,458
Prior Year Expenditure & Transfers-Out Adjustments		<u>31,303</u>
Total Reductions		<u>2,480,761</u>
FUND BALANCE: June 30, 2001	\$ <u><u>(5,360)</u></u>	\$ <u><u>1,050,107</u></u>

This schedule is prepared from the Statewide Accounting, Budgeting, and Human Resources System (SABHRS) without adjustment. Additional information is provided in the notes to the financial schedules beginning on page A-11.

THE DEPARTMENT OF PUBLIC SERVICE REGULATION  
SCHEDULE OF TOTAL REVENUES & TRANSFERS-IN  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Total</u>
<b>TOTAL REVENUES &amp; TRANSFERS-IN BY CLASS</b>			
Licenses and Permits	\$ 5,375		\$ 5,375
Taxes		\$ 144	144
Charges for Services	1,317	18,285	19,602
Fines and Forfeits	150		150
Federal		11,173	11,173
Total Revenues & Transfers-In	<u>6,842</u>	<u>29,602</u>	<u>36,444</u>
Less: Nonbudgeted Revenues & Transfers-In	1,304	144	1,448
Prior Year Revenues & Transfers-In Adjustments	13		13
Actual Budgeted Revenues & Transfers-In	<u>5,525</u>	<u>29,458</u>	<u>34,983</u>
Estimated Revenues & Transfers-In	<u>5,750</u>	<u>41,267</u>	<u>47,017</u>
Budgeted Revenues & Transfers-In Over (Under) Estimated	<u><u>(225)</u></u>	<u><u>(11,809)</u></u>	<u><u>(12,034)</u></u>
<b>BUDGETED REVENUES &amp; TRANSFERS-IN OVER (UNDER) ESTIMATED BY CLASS</b>			
Licenses and Permits	\$ (125)		\$ (125)
Charges for Services		\$ (9,265)	(9,265)
Fines and Forfeits	(100)		(100)
Federal		(2,494)	(2,494)
Federal Indirect Cost Recoveries		(50)	(50)
Budgeted Revenues & Transfers-In Over (Under) Estimated	<u><u>(225)</u></u>	<u><u>(11,809)</u></u>	<u><u>(12,034)</u></u>

This schedule is prepared from the Statewide Accounting, Budgeting, and Human Resources System (SABHRS) without adjustment. Additional information is provided in the notes to the financial schedules beginning on page A-11.



THE DEPARTMENT OF PUBLIC SERVICE REGULATION  
SCHEDULE OF TOTAL REVENUES & TRANSFERS-IN  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Total</u>
<b>TOTAL REVENUES &amp; TRANSFERS-IN BY CLASS</b>			
Licenses and Permits	\$ 5,015		\$ 5,015
Taxes	483	\$ 59	542
Charges for Services	2,837	33,111	35,948
Miscellaneous		2,058	2,058
Federal		16,854	16,854
Federal Indirect Cost Recoveries		12	12
Total Revenues & Transfers-In	<u>8,335</u>	<u>52,094</u>	<u>60,429</u>
Less: Nonbudgeted Revenues & Transfers-In	1,446	661	2,107
Prior Year Revenues & Transfers-In Adjustments	<u>573</u>	<u>1,197</u>	<u>1,770</u>
Actual Budgeted Revenues & Transfers-In	6,316	50,236	56,552
Estimated Revenues & Transfers-In	23,250	40,250	63,500
Budgeted Revenues & Transfers-In Over (Under) Estimated	<u>\$ (16,934)</u>	<u>\$ 9,986</u>	<u>\$ (6,948)</u>
<b>BUDGETED REVENUES &amp; TRANSFERS-IN OVER (UNDER) ESTIMATED BY CLASS</b>			
Licenses and Permits	\$ (2,984)		\$ (2,984)
Charges for Services	(13,700)	\$ 13,320	(380)
Fines and Forfeits	(250)		(250)
Federal		(3,146)	(3,146)
Federal Indirect Cost Recoveries		(188)	(188)
Budgeted Revenues & Transfers-In Over (Under) Estimated	<u>\$ (16,934)</u>	<u>\$ 9,986</u>	<u>\$ (6,948)</u>

This schedule is prepared from the Statewide Accounting, Budgeting, and Human Resources System (SABHRS) without adjustment. Additional information is provided in the notes to the financial schedules beginning on page A-11.

THE DEPARTMENT OF PUBLIC SERVICE REGULATION  
SCHEDULE OF TOTAL EXPENDITURES & TRANSFERS-OUT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

	<u>PUBLIC SERVICE REGULATION</u>
PROGRAM (SUB-CLASS) EXPENDITURES & TRANSFERS-OUT	
Personal Services	
Salaries	\$ 1,613,174
Employee Benefits	400,123
Total	<u>2,013,297</u>
Operating Expenses	
Other Services	96,723
Supplies & Materials	62,496
Communications	64,382
Travel	50,678
Rent	194,869
Repair & Maintenance	186
Other Expenses	59,918
Total	<u>529,252</u>
Equipment & Intangible Assets	
Equipment	5,502
Total	<u>5,502</u>
Total Expenditures & Transfers-Out	<u>\$ 2,548,051</u>
EXPENDITURES & TRANSFERS-OUT BY FUND	
Special Revenue Fund	\$ <u>2,548,051</u>
Total Expenditures & Transfers-Out	2,548,051
Less: Prior Year Expenditures & Transfers-Out Adjustments	<u>(19,499)</u>
Actual Budgeted Expenditures & Transfers-Out	2,567,550
Budget Authority	<u>3,441,739</u>
Unspent Budget Authority	<u>874,189</u>
UNSPENT BUDGET AUTHORITY BY FUND	
Special Revenue Fund	\$ <u>874,189</u>
Unspent Budget Authority	<u>874,189</u>

This schedule is prepared from the Statewide Accounting, Budgeting, and Human Resources System (SABHRS) without adjustment. Additional information is provided in the notes to the financial schedules beginning on page A-11.

THE DEPARTMENT OF PUBLIC SERVICE REGULATION  
SCHEDULE OF TOTAL EXPENDITURES & TRANSFERS-OUT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

	<u>PUBLIC SERVICE REGULATION</u>
PROGRAM (SUB-CLASS) EXPENDITURES & TRANSFERS-OUT	
Personal Services	
Salaries	\$ 1,573,121
Employee Benefits	369,077
Total	<u>1,942,198</u>
Operating Expenses	
Other Services	91,275
Supplies & Materials	40,427
Communications	83,508
Travel	65,775
Rent	191,752
Repair & Maintenance	562
Other Expenses	51,847
Total	<u>525,146</u>
Equipment & Intangible Assets	
Equipment	13,417
Total	<u>13,417</u>
Total Expenditures & Transfers-Out	\$ <u>2,480,761</u>
EXPENDITURES & TRANSFERS-OUT BY FUND	
Special Revenue Fund	\$ <u>2,480,761</u>
Total Expenditures & Transfers-Out	2,480,761
Less: Prior Year Expenditures & Transfers-Out Adjustments	<u>31,303</u>
Actual Budgeted Expenditures & Transfers-Out	2,449,458
Budget Authority	3,229,467
Unspent Budget Authority	\$ <u>780,009</u>
UNSPENT BUDGET AUTHORITY BY FUND	
Special Revenue Fund	\$ 780,009
Unspent Budget Authority	\$ <u>780,009</u>

This schedule is prepared from the Statewide Accounting, Budgeting, and Human Resources System (SABHRS) without adjustment. Additional information is provided in the notes to the financial schedules beginning on page A-11.

# Department of Public Service Regulation

## Notes to the Financial Schedules

### For the Two Fiscal Years Ended June 30, 2002

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#### 1. **Summary of Significant Accounting Policies**

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##### **Basis of Accounting**

The department uses the modified accrual basis of accounting, as defined by state accounting policy, for its Governmental Funds. In applying the modified accrual basis, the department, records:

- Revenues when it receives cash or when receipts are measurable and available to pay current period liabilities.
- Expenditures for valid obligations when the department incurs the related liability and it is measurable, with the exception of the cost of employees' annual and sick leave. State accounting policy requires the department to record the cost of employees' annual leave and sick leave when used or paid.

Expenditures may include: entire budgeted service contracts even though the department receives the services in a subsequent fiscal year; goods ordered with a purchase order before fiscal year-end, but not received as of fiscal year-end; and equipment ordered with a purchase order before fiscal year-end.

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##### **Basis of Presentation**

The financial schedule format is in accordance with the policy of the Legislative Audit Committee. The financial schedules are prepared from the transactions posted to the state's accounting system without adjustment.

State law requires the department to record its financial transactions on SABHRS in accordance with generally accepted accounting principles (GAAP). The 2001 Legislature modified the fund structure established in section 17-2-102, MCA, to implement the changes made to GAAP by Governmental Accounting Standards Board (GASB) statement 34. These changes were effective July 1,

## Notes to the Financial Schedules

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2001. Department accounts are organized in funds according to state law applicable at the time transactions were recorded. The department uses the following funds:

### **Governmental Funds**

**General Fund** - to account for all financial resources except those required to be accounted for in another fund.

**Special Revenue Fund** - to account for proceeds of specific revenue sources legally restricted to expenditures for specific purposes. Department Special Revenue Funds include federal natural gas safety funds, the gross operating revenue tax, and the Interim Universal Access Program.

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### **General Fund Balance**

The negative fund balance in the General Fund does not indicate overspent appropriation authority. The department's outstanding liabilities exceed the assets the department has placed in the fund, resulting in negative ending General Fund balances for each of the two fiscal years ended June 30, 2001, and June 30, 2002.

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### **Cash Transfers/Direct Entries to Fund Balance**

Direct Entries to Fund Balance in fiscal year 2000-01 were \$2,770,583 and were \$2,547,620 in fiscal year 2001-02 in the special revenue fund. These relate to utility taxes collected by the Department of Revenue on behalf of the department.

## **Department Response**

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## Montana Public Service Commission

Gary Feland, Chairman  
Jay Stovall, Vice-Chairman  
Bob Anderson  
Matt Brainard  
Bob Rowe

1701 Prospect Avenue  
PO Box 202601  
Helena, MT 59620-2601  
Telephone: (406) 444-6199  
FAX#: (406) 444-7618  
<http://www.psc.state.mt.us>

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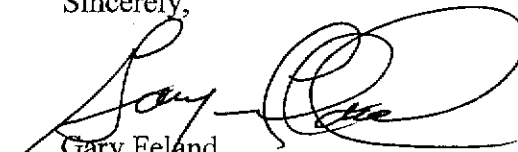
Mr. Scott Seacat  
Office of the Legislative Auditor  
State Capitol Building, Room 160  
PO Box 201705  
Helena, Montana 59620-1705

Dear Mr. Seacat:

Enclosed please find the Public Service Commission's response to your final report on the audit of this agency. Included with this response, we are returning the copy of the report per your request.

We enjoyed working with your staff of professional auditors and look forward to meeting with you and the Legislative Audit Committee.

Sincerely,

  
Gary Feland,  
Chairman

Enclosures

Page B-3



RESPONSE TO LEGISLATIVE  
FINANCIAL COMPLIANCE AUDIT  
JUNE 30, 2002

1. FEES

RECOMMENDATION:

DEPARTMENT CHARGE A FEE FOR TRANSPORTATION APPLICATIONS THAT IS COMMENSURATE WITH COSTS AS REQUIRED BY STATE LAW.

RESPONSE:

Concur.

Department will request legislation amending the statutory language from "commensurate" to "reasonable".

2. ACCOUNTING ISSUES

RECOMMENDATION:

DEPARTMENT PROPERLY RECORD TRANSACTIONS IN COMPLIANCE WITH STATE ACCOUNTING LAWS AND POLICIES.

RESPONSE:

Concur.

Department has taken corrective action on the expenditure accruals that were improperly recorded and adjusted the entry to properly reduce the amount of recorded revenue in the Natural Gas Pipeline Safety Program that occurred during fiscal year 2001-02.